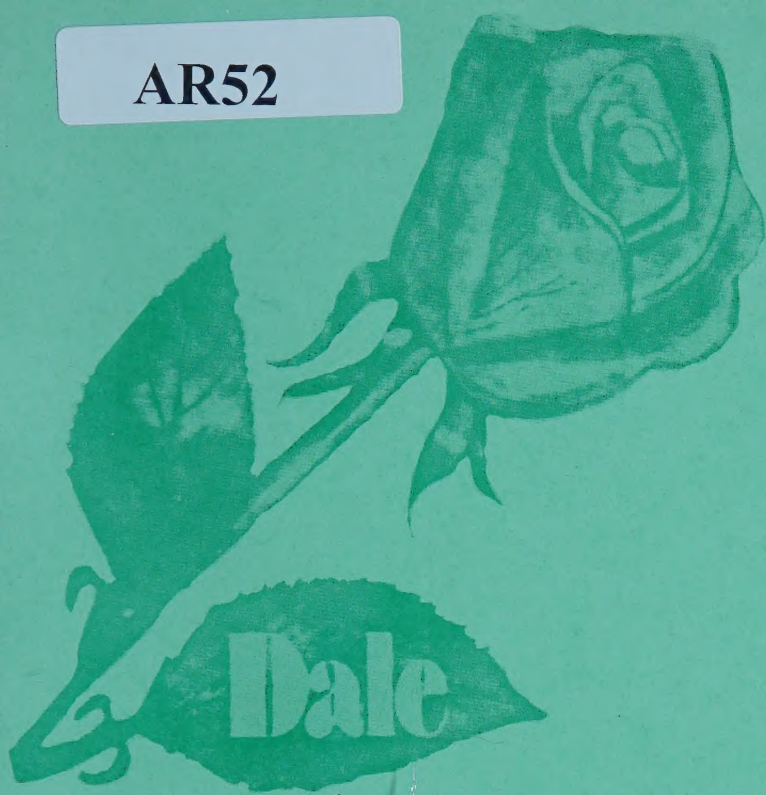


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Dale

CALVERT-DALE ESTATES LIMITED

1974

ANNUAL REPORT

CALVERT-DALE ESTATES LIMITED

FINANCIAL STATEMENTS

JUNE 29, 1974



Dale

CALVERT-DALE ESTATES LIMITED

12 Vodden St., Brampton, Ontario, Canada

(416) 459-8111 L6V 1M3

October 30, 1974

Dear Shareholder:

I am pleased to report that income from operations in the past year was the best on record since the company's incorporation in 1961. Income for the year of \$179,737 amounted to 18¢ per share compared to \$64,276 or 7¢ per share the previous year.

Sales increased by 12½% despite the fact that in November 1973 we closed about 35% of our greenhouse production area. As we mentioned last year, the wholesale flower and florist supply divisions continue to develop and expand as we phase out the growing operations. It is our intention to phase out a further 92,000 square feet of rose production greenhouses which have become uneconomical to operate.

Generally, growing costs decreased because of the reduction in production area. One notable exception, of course, was the cost of heating. The increases in costs of fuel oil and boiler room labour resulted in higher cost in dollars and a material increase in cost per square foot for heat in the remaining production area.

We achieved some efficiencies in selling and product handling costs by closing our Toronto branch early in the fiscal year. A smooth transition into serving the Toronto metropolitan area from the company's headquarters in Brampton was made quickly, and the former Toronto staff has merged well with the Brampton personnel. Increases in the cost of corrugated cartons, gasoline and labour have contributed to increased shipping costs, but a change in our billing policy in May 1974 has offset some of these expenses.

BRANCHES:

747 Guy St.
2421 Holly Lane

Montreal H3J 1T6
Ottawa K1V 7P2

(514) 934-0811
(613) 731-0481

Bank interest rates increased materially during the year, but the receipt of a further deposit of \$230,000 during the year from Stradron Developments Limited helped improve our cash position substantially. The cost of borrowing money, however, still was not offset entirely by the reduction in our long term debt, and financial expenses climbed by more than 10%.

We look to the future with cautious optimism. The cost and supply of labour in Brampton, as well as the unsure fuel oil cost situation, are major areas of concern when we consider the growing operation on its own. For the most part we are experiencing no difficulty in obtaining product to replace our production as we phase out, and the Canadian market for flowers has a great deal of room to expand before it reaches the level of consumption presently enjoyed in Europe. Improved markup-consciousness in our selling departments augurs well for a continuation of a profitable wholesale business.

The very encouraging results of 1974 are a reflection on the effort and loyal support of all the employees of Dales. I take pleasure in thanking them all for their important contribution to another year of improvement.

Sincerely yours,

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "Roy A. Nicholson". The signature is stylized with a large, looped initial "R" and a cursive "Nicholson".

ROY A. NICHOLSON, President.

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Hamilton Kitchener London
Windsor Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Calvert-Dale Estates Limited:

We have examined the balance sheet of Calvert-Dale Estates Limited as at June 29, 1974 and the statements of income, deficit and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 29, 1974 and the results of its operations and the source and application of its cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
October 1, 1974.

Chartered Accountants



CALVERT - DALE ESTATES LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet

June 29, 1974

ASSETS

	<u>1974</u>	<u>1973</u>
Current:		
Cash	\$ 2,865	\$ 2,515
Accounts receivable	1,043,432	854,275
Inventories (note 1)	1,113,527	865,813
Prepaid expenses	36,653	50,479
Mortgages receivable		137,075
	<u>2,196,477</u>	<u>1,910,157</u>
Fixed, at cost (note 2):		
Land	617,962	617,962
Buildings and leasehold improvements	1,333,200	1,323,469
Machinery, trucks and equipment	534,816	485,855
	<u>2,485,978</u>	<u>2,427,286</u>
Less accumulated depreciation	<u>1,013,455</u>	<u>933,553</u>
	<u>1,472,523</u>	<u>1,493,733</u>
Property held subject to agreement of sale	144,662	190,437
	<u>1,617,185</u>	<u>1,684,170</u>
Other:		
Sundry deposits	30,066	32,311
Growing crops, patents and trade-marks	<u>1</u>	<u>1</u>
	<u>30,067</u>	<u>32,312</u>
	<u>\$3,843,729</u>	<u>\$3,626,639</u>

On behalf of the Board:

 A. A. Nicholson

Director

 Wallace R. Huron

Director

LIABILITIES

	<u>1974</u>	<u>1973</u>
Current:		
Bank indebtedness (note 3)	\$ 906,393	\$1,070,930
Accounts payable and accrued charges	689,525	519,544
Sales and other taxes payable	41,350	34,274
Long term debt payments due within one year (note 3)	70,788	205,167
	<u>1,708,056</u>	<u>1,829,915</u>
Deposits received on property held subject to agreement of sale (note 2)	<u>340,000</u>	<u>110,000</u>
Long term debt (note 3)	<u>799,635</u>	<u>877,423</u>

SHAREHOLDERS' EQUITY

Share capital (note 4):		
Authorized - 2,000,000 shares without par value		
Issued - 1,020,134 shares (1973 - 1,010,134)	1,550,750	1,543,750
Contributed surplus	<u>7,500</u>	<u>7,500</u>
	1,558,250	1,551,250
Deficit	<u>562,212</u>	<u>741,949</u>
	<u>996,038</u>	<u>809,301</u>
	<u>\$3,843,729</u>	<u>\$3,626,639</u>

(See accompanying notes)



CALVERT - DALE ESTATES LIMITED

Statement of Income

FOR THE YEAR ENDED JUNE 29, 1974

	<u>1974</u>	<u>1973</u>
Sales	<u>\$8,565,717</u>	<u>\$7,615,704</u>
Income before the following items	\$ 508,098	\$ 326,527
Interest earned	<u>25,164</u> <u>533,262</u>	<u>47,975</u> <u>374,502</u>
Depreciation and loss of \$27,661 (less gain of \$3,025 in 1973) on disposal of fixed assets	154,761	125,908
Interest on long term debt	85,576	102,639
Other interest	<u>113,188</u> <u>353,525</u>	<u>81,679</u> <u>310,226</u>
Income before income taxes and extraordinary item	179,737	64,276
Income taxes (note 5)	<u>91,000</u>	<u>33,000</u>
Income before extraordinary item	88,737	31,276
Extraordinary item: Recovery of income taxes (note 5)	<u>91,000</u>	<u>33,000</u>
Income for the year (note 6)	<u>\$ 179,737</u>	<u>\$ 64,276</u>

Statement of Deficit

FOR THE YEAR ENDED JUNE 29, 1974

	<u>1974</u>	<u>1973</u>
Deficit, beginning of year	\$ 741,949	\$ 806,225
Income for the year	<u>179,737</u>	<u>64,276</u>
Deficit, end of year	<u>\$ 562,212</u>	<u>\$ 741,949</u>

(See accompanying notes)



CALVERT - DALE ESTATES LIMITED

**Statement of Source
and Application of Cash**
FOR THE YEAR ENDED JUNE 29, 1974

	<u>1974</u>	<u>1973</u>
Source of cash:		
Operations -		
Income before income taxes and extraordinary item	\$ 179,737	\$ 64,276
Depreciation and other charges not requiring an outlay of cash	<u>202,130</u>	<u>157,208</u>
	381,867	221,484
Reduction in mortgages receivable	137,075	274,358
Deposit on property held subject to agreement of sale	230,000	110,000
Increase (decrease) in accounts and taxes payable	177,057	(48,737)
Decrease (increase) in prepaid expenses and other assets	<u>6,118</u>	<u>(20,240)</u>
	<u>932,117</u>	<u>536,865</u>
Application of cash:		
Repayment of long term debt	205,167	325,230
Increase in inventories	247,714	69,613
Increase in accounts receivable	226,923	4,241
Purchases of fixed assets (net)	<u>87,776</u>	<u>153,989</u>
	<u>767,580</u>	<u>553,073</u>
Decrease (increase) in bank indebtedness	164,537	(16,208)
Bank indebtedness, beginning of year	<u>1,070,930</u>	<u>1,054,722</u>
Bank indebtedness, end of year	<u>\$ 906,393</u>	<u>\$1,070,930</u>

(See accompanying notes)



CALVERT-DALE ESTATES LIMITED

Notes to Financial Statements

FOR THE YEAR ENDED JUNE 29, 1974

1. Accounting policies

(a) Basis of financial statements -

During the year ended June 29, 1974 the company's principal wholly-owned subsidiary distributed its net assets to the company and commenced dissolution proceedings. In that the remaining subsidiary has no significant assets or liabilities, its accounts have not been consolidated in the 1974 fiscal year. The 1973 figures although consolidated are similar in all material respects to the unconsolidated figures.

(b) Inventories -

Inventories comprised of resale merchandise and production supplies are valued at the lower of cost (determined on a first-in, first-out basis) and net realizable value.

(c) Depreciation -

Rates and bases of depreciation applied by the company to write off the costs of fixed assets over their estimated useful lives are as follows:

	<u>Annual rate</u>	<u>Basis</u>
Masonry buildings	5%	Diminishing balance
Other buildings	10%	Diminishing balance
Machinery and equipment	20 - 25%	Diminishing balance
Leasehold improvements	10%	Straight line
Vehicles	30%	Straight line

- (d) The company's policy is to defer profits on land sale agreements until all material conditions attaching to the agreements have been satisfied. Costs incurred (\$94,295 to June 29, 1974) in the review of

the company's land usage have been deferred and are included in the cost of the land.

2. Fixed assets

The company's review of the status of its properties has shown certain properties to be surplus to its needs, and that most of its remaining properties will also become surplus. As a result, the company has taken the actions described below:

- (a) In May 1973, the company entered into an agreement with Stradron Developments Limited to sell, provided building permits can be obtained by the purchaser and other conditions can be met, approximately $8\frac{1}{2}$ acres of land which the company considers surplus to its needs, for \$650,000 of which \$340,000 has been received on deposit. The portion of the deposit received in 1973 (\$110,000) previously deducted from fixed assets has been reclassified with liabilities to conform to the presentation adopted in 1974.
- (b) On completion of the above-mentioned sale and as a condition thereof, the company will grant Calron Developments Limited (a company in which Calvert-Dale and Ronyx Corporation each will own 50% of the issued shares) an option to purchase most of the company's remaining lands. The option to purchase these lands in various parcels, according to a schedule to be provided by the company, will extend over a period of 15 years at the prevailing market price (as defined) at the time the options are exercised. The company has also agreed to provide 50% of the financing required by Calron either in cash or by guaranteeing debt of that company.
- (c) In connection with the aforementioned agreement, the company is committed to pay fees of $1\frac{1}{2}\%$ of the sale price of the land.

3. Long term debt and bank indebtedness

	<u>1974</u>	<u>1973</u>
Mortgages:		
6% due January 1, 1975	\$ 50,000	\$ 100,000
10% due December 15, 1976 payable \$212 monthly, principal and interest included	18,336	19,051
7½% due January 1, 1980 (a)		67,412
7½% due January 1, 1980 (a)		67,040
Convertible debentures: (b)		
10% subordinated debentures due December 1, 1976	158,000	165,000
7½% sinking fund debentures due December 15, 1976, annual sinking fund instalment of \$20,000	94,087	114,087
10% subordinated sinking fund debentures due October 1, 1979, annual sinking fund instalment of \$37,500 commencing October 1, 1974	300,000	300,000
Bank loan (c)	<u>250,000</u> 870,423	<u>250,000</u> 1,082,590
Less amounts due within one year, included with current liabilities	<u>70,788</u>	<u>205,167</u>
	<u>\$799,635</u>	<u>\$ 877,423</u>

Long term payments due in each of the next five years are estimated as follows:

1975 - \$71,000, 1976 - \$308,500, 1977 - \$258,000, 1978 - \$37,500,
1979 - \$37,500.

(a) Mortgages -

During the year, the mortgages due on January 1, 1980 were repaid
with proceeds of the mortgages receivable.

(b) Debentures -

- 4 -

- (i) The 10% subordinated debentures due December 1, 1976 may be called for redemption at a premium of 3% until November 30, 1974 and thereafter at premiums declining annually by 1% until November 29, 1976 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.70 per share until November 30, 1976.

Subsequent to the year end, \$8,000 of the debentures were converted into 11,428 shares.

- (ii) The 7½% sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 1% until December 15, 1974 and thereafter at a premium of ½ of 1% until December 15, 1975, after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$5.08 per share until December 14, 1976.
- (iii) The 10% subordinated sinking fund debentures due October 1, 1979 may be called for redemption at a premium of 6% until September 30, 1974 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.90 per share until September 30, 1979.

Subsequent to the year-end \$40,000 of these debentures were converted to 44,444 shares of the company. The company elected to apply \$37,500 in satisfaction of the annual sinking fund payment required to be made on October 1, 1974. A further credit of \$2,500 is available for future sinking fund requirements.

The conversion rates of all of the debentures described above are subject to change on stipulated anniversary dates should additional shares of the company be issued.

(c) Bank loan and bank indebtedness -

The bank loan of \$250,000 and current bank indebtedness of \$906,393 are secured by a general assignment of book debts, crops pledged

under Section 88 of the Bank Act, a floating charge debenture and a subordinated collateral mortgage on the company's real estate.

In addition, the bank holds a mortgage bond for \$250,000 that has been hypothecated with it at collateral security for the bank loan. Under certain circumstances the bank has the right to require repayment of this loan in advance of the July 1, 1975 due date.

4. Share capital

During the year, \$7,000 of the 10% subordinated debentures due December 1, 1976, were converted into 10,000 shares of the company at \$0.70 per share. After giving effect to the conversions of debentures subsequent to the year end referred to in note 3(b), 521,698 of the company's authorized but unissued shares are reserved for the possible conversion of the remaining debentures.

5. Income taxes

There is no current liability for income taxes for the 1974 fiscal year as taxes of \$91,000 otherwise payable are offset by tax credits arising from the carry forward of prior years' losses and depreciation charges not previously claimed for tax purposes. At June 29, 1974, the amount of prior years' depreciation charges recorded in the accounts but not claimed for income tax purposes was approximately \$520,000.

6. Earnings per share

	1974		1973	
	<u>Income before extraordinary item</u>	<u>Income for year</u>	<u>Income before extraordinary item</u>	<u>Income for year</u>
Earnings per share	\$0.09	\$0.18	\$0.03	\$0.07
Fully diluted earnings per share	\$0.07	\$0.13	\$0.03	\$0.06

The fully diluted earnings per share shows the effect on earnings per share had all the debentures (other than the 7½% sinking fund debentures which are not dilutive) been converted into common shares at the beginning of the year.

7. Lease commitments

Under contractual obligations with respect to leased premises, the company is committed to aggregate annual rentals of approximately \$120,000 to 1977, \$90,000 to 1979 and \$80,000 thereafter to 1986.

8. Remuneration of directors and senior officers

Remuneration of directors and senior officers (as defined under The Business Corporations Act, 1970) amounted to \$120,690 in the year, including \$1,200 paid as directors' fees.



Dale

CALVERT - DALE ESTATES LIMITED

BOARD OF DIRECTORS

- W. J. (Bill) Corrigan, Jr., Perishables Division Manager of the Company
G. W. E. (Bud) Gordon, President of Halliday Homes Limited
Jack B. Kaufman, President of A. L. Randall Company
*Roy A. Nicholson, President of the Company
*Wallace R. Pierson, Jr., Consultant, Vice-President and General Manager of the Company
*John C. Stradwick, Sr., President of Stradwick Investments Limited
*John C. Stradwick, Jr., President of Simcoe-Bay Group of Companies
*Arthur H. Zaldin, Q. C., Senior member of the legal firm of Zaldin and Fine, Secretary of the Company
* Members of the Executive Committee

OTHER SENIOR OFFICERS AND MANAGERS

Leon E. Cowtan, Assistant Manager, Perishables Division
John W. Dowling, Assistant Manager, Perishables Division
Kenneth Letton, Manager, Retail Division
Manfred G. Mewes, Manager, Greenhouse Production
John Parsons, Manager, Ottawa Branch
Clarence H. Potter, Manager, Montreal Branch
George D. Stephens, C. A., Treasurer and Assistant General Manager
W. R. (Bill) Waters, Manager, Florist Supply Division

AUDITORS: Clarkson, Gordon & Co., Toronto
LEGAL COUNSEL: Zaldin and Fine
BANKER: The Toronto-Dominion Bank
REGISTRAR AND TRANSFER AGENT: Canada Permanent Trust Company, Toronto
LISTED on the Toronto Stock Exchange
LOCATIONS: Head Office and Greenhouses - Brampton, Ontario
 Wholesale Branches - Montreal and Ottawa

